

JUNE 8, 1976

BRITAIN'S POUND: RIDING TO THE RESCUE

ANNCR: EVENTS MONDAY BOTH INSIDE AND OUTSIDE BRITAIN SERVED TO BOLSTER THE VALUE OF THE BRITISH POUND STERLING. VOA NEWS ANALYST GEORGE HALSEY HAS THESE OBSERVATIONS.

VOICE: THE OUTSIDE EVENT WAS THE ANNOUNCEMENT THAT THE UNITED STATES AND NINE OTHER INDUSTRIAL COUNTRIES PLUS SWITZERLAND AND THE BANK FOR INTERNATIONAL SETTLEMENTS HAD AGREED TO HELP BRITAIN STOP THE DECLINE IN THE POUND'S VALUE.

THE INSIDE EVENT WAS A VOTE BY THE MINERS' UNION AGREEING TO THE BRITISH GOVERNMENT'S POLICY OF STIFF RESTRAINTS ON WAGE INCREASES.

THE FIRST EVENT -- SOMETHING MORE THAN FIVE THOUSAND MILLION DOLLARS IN CREDIT -- IS SEEN BY OBSERVERS AS A MARK OF CONFIDENCE THAT BRITAIN CAN CONTROL INFLATION AND OTHERWISE GET ITS ECONOMIC HOUSE IN ORDER. THE SECOND EVENT IS SEEN AS A MARK OF RECOGNITION BY THE USUALLY MILITANT COAL MINERS THAT THEY HAVE A REAL INTEREST IN HELPING SOLVE BRITAIN'S ECONOMIC PROBLEMS.

THE REASON BOTH EVENTS ARE CONSIDERED IMPORTANT IS THAT THE VALUE OF THE BRITISH POUND HAS BEEN DROPPING RAPIDLY IN RECENT WEEKS. AFTER THE TWO EVENTS MONDAY, THE VALUE OF THE POUND ROSE SHARPLY. WHETHER AND HOW MUCH IT WILL CONTINUE TO RISE AND WHERE IT MAY LEVEL OFF WILL PROBABLY BE DETERMINED IN THE NEXT FEW MONTHS.

THE DROPPING PRICE OF THE BRITISH POUND -- IN TERMS OF OTHER NATIONAL CURRENCIES -- HAS BEEN LOOKED UPON BY MOST ECONOMIC OBSERVERS AS EXCESSIVE. PERHAPS SPARKED BY FEARS THAT

BRITAIN WOULD NOT BE SUCCESSFUL IN CURBING ITS INFLATION -- THE HIGHEST IN EUROPE -- INVESTORS BEGAN SELLING THEIR POUNDS.

THE VALUE OF A COUNTRY'S MONEY, AFTER ALL, IS BASED ON WHAT PEOPLE BELIEVE ABOUT IT. IF THEY BELIEVE THAT IT WILL CONTINUE TO BUY TOMORROW WHAT IT WILL BUY TODAY, THEN THEY WILL HAVE CONFIDENCE IN IT. IF THEY BELIEVE IT WILL HAVE EVEN MORE VALUE, THEY WILL HAVE EVEN MORE CONFIDENCE. THE HOPE IS NOW, THAT HOLDERS OF BRITISH POUNDS WILL HAVE CONFIDENCE IN THEIR CONTINUING OR EVEN INCREASING VALUE AND WILL STOP SELLING THEM, AND PERHAPS EVEN BUY MORE.

BRITISH PRIME MINISTER CALLAGHAN IS OUTSPOKENLY CONFIDENT THAT BRITAIN'S INFLATION RATE WILL DROP FROM THE HIGH TEENS WHERE IT IS NOW TO FIVE OR SIX PER CENT BY THE END OF NEXT YEAR. HE ALSO SAYS THE SALE OF NORTH SEA OIL NEXT YEAR WILL CUT WAY DOWN ON BRITAIN'S BALANCE OF PAYMENTS DEFICIT.

NOT ALL ECONOMISTS AND BANKERS AGREE, AND THERE ARE SOME PREDICTIONS THAT MONDAY'S EVENTS WILL NOT BE ENOUGH. BUT THIS WEEK, THE UNLIKELY COMBINATION OF BRITISH COAL MINERS AND THE CENTRAL BANKS OF MAJOR INDUSTRIAL COUNTRIES ECHOED MR. CALLAGHAN'S CONFIDENCE.